

Message Text

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22

ORIGIN EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 NEA-10 ISO-00 L-03 CAB-02

SIG-01 CIAE-00 COME-00 DODE-00 DOTE-00 INR-07 NSAE-00

CIEP-01 FAA-00 SS-15 NSC-05 SP-02 H-02 PA-01 PRS-01

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L/EB - JCROOK

CAB/BE - ASIMMS

CAB/BIA - FMURPHY

EUR/NE - JSHUMATE

NEA/RA - DMORAN

ARA/MEX - GFALK

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R 272249Z OCT 76

FM SECSTATE WASHDC

TO AMEMBASSY PRAGUE

AMEMBASSY BRUSSELS

AMEMBASSY MEXICO

AMEMBASSY NEW DELHI

AMEMBASSY ISLAMABAD

AMCONSUL KARACHI

AMEMBASSY TEL AVIV

AMEMBASSY PRETORIA

AMCONSUL JOHANNESBURG

AMEMBASSY RABAT

AMEMBASSY TEHRAN

AMEMBASSY ROME

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

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AMEMBASSY OTTAWA

AMEMBASSY PARIS
AMEMBASSY DUBLIN
AMEMBASSY BONN
AMEMBASSY WARSAW
AMEMBASSY BERN

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E.O. 11652: N/A

TAGS: EAIR, XT

SUBJECT: CIVAIR - NORTH ATLANTIC FARES

REF : (A) STATE 253881; (B) DUBLIN 2253 (NOTAL);
(C) BRUSSELS 10269 (NOTAL)

1. WEEK OF CONSULTATIONS WITH BRITISH REGARDING NORTH ATLANTIC FARES FOR APPLICATION FROM NOVEMBER 1 (HELD IN CONJUNCTION WITH MEETING ON RENEGOTIATION OF BERMUDA AGREEMENT) ENDED OCTOBER 22 WITHOUT AGREEMENT. BRITISH ARGUED FOR HIGHER NORMAL ECONOMY FARES AND MUCH HIGHER 22/45 DAY EXCURSION FARES NEW YORK-LONDON, AND FOR HIGHER FARES ALL AROUND MIAMI-LONDON, ARGUING IN LAST CASE THAT CAB CONCENTRATION ON FACT NATIONAL IS ALREADY EARNING MAXIMUM ALLOWABLE IS RESULTING IN SEVERE DISTORTION OF FARES AND TRAVEL PATTERNS IN WHOLE AREA, PARTICULARLY CARIBBEAN AND MIDDLE AMERICA. BRITISH ALSO ASKED FOR HIGHER FIRST CLASS FARES NEW YORK-LONDON, BUT SEEMED NOT TO HAVE CONSIDERED RELATIONSHIP TO CONCORDE FARES AND EVENTUALLY BACKED OFF, WITHOUT ACTUALLY WITHDRAWING REQUEST. BRITISH ARGUMENTS ON ALL POINTS WERE WITHOUT SUPPORTING COST AND REVENUE DATA ON WHICH CAB PLACES MUCH STRESS.

2. A FEW HOURS BEFORE CONSULTATIONS ENDED CAB ORDER 76-10-108 WAS RELEASED, DEALING WITH THE VARIOUS NORTH ATLANTIC WINTER FARE TARIFFS BEFORE IT. PRINCIPAL POINTS ARE AS FOLLOWS:
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A. AIRLINE PROPOSALS TO EXTEND CURRENT SHOULDER SEASON FARE LEVELS THROUGH THE WINTER ARE APPROVED EXCEPT AS INDICATED BELOW.

B. NO INCREASE IN NORMAL ECONOMY FARES IS PERMITTED BECAUSE THAT FARE IS ALREADY SO FAR ABOVE COSTS.

C. NO INCREASE IN FIRST CLASS FARES IS PERMITTED BECAUSE OF THE EXISTING LINK TO EXCESS BAGGAGE CHARGES. (FYI: SUBSEQUENT TO ORDER'S DRAFTING BOARD STAFF HAS COME TO CONCLUSION THAT UNLIKE MOST FIRST CLASS FARES THOSE ON NORTH ATLANTIC MAY ALREADY BE TOO HIGH IN RELATION TO COSTS. END FYI.)

D. THE INCREASE IN 22/45 DAY EXCURSION FARES OVER LAST WINTER WILL BE HELD TO THE PERCENTAGE INCREASE PREVIOUSLY APPROVED FOR SHOULDER 1976 OVER 1975, E.G., ABOUT 10 PERCENT FOR NEW YORK-LONDON. THE LARGE INCREASES PROPOSED (19 PERCENT NEW YORK-LONDON) ARE INADEQUATELY JUSTIFIED, PARTICULARLY WHEN A SIGNIFICANT PROPORTION OF THE TRAVELING PUBLIC HAS PRESUMABLY DELAYED ITS TRAVEL FROM SEASONS OF BETTER WEATHER IN ORDER TO TAKE ADVANTAGE OF THE TRADITIONALLY LOWER WINTER FARES.

E. BECAUSE THE ALTERNATIVE WOULD BE A RETURN ON INVESTMENT (ROI) FOR NATIONAL OF OVER 12 PERCENT, NO INCREASES OVER LAST WINTER'S FARES ARE ALLOWED ON THE MIAMI-LONDON ROUTE, EXCEPT THAT WHERE SHOULDER AND PEAK SEASON FARES WERE INCREASED FOLLOWING THE U.S.-U.K. FARE DISCUSSIONS LAST SPRING, INCREASES OF THE SAME PERCENTAGE WILL BE ALLOWED IN THE WINTER FARES.

F. TAP PROPOSAL OF 28/75 DAY APEX AND ALITALIA PROPOSAL TO EXTEND 22/45 DAY EXCURSION FARE TO 60 DAYS ARE REJECTED AS DIVERTING TRAFFIC FROM HIGHER RATED FARES WITHOUT GENERATING SIGNIFICANT NEW TRAFFIC, WHILE EL AL'S PROPOSAL OF NO INCREASE OVER LAST WINTER FOR 4/9 DAY INCENTIVE-GROUP FARES AND DECREASES IN YOUTH AND YOUTH-GROUP FARES IS DENIED ON GROUNDS THEY APPEAR UNECONOMIC ON THEIR FACE.
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G. TECHNICALLY, ALL REJECTED FARES ARE SUSPENDED PENDING INVESTIGATION.

3. PRESIDENTIAL LETTER APPROVING ORDER MAKES CLEAR IT IS NOT INTENDED TO FORECLOSE NEGOTIATION AND AGREEMENT WITH FOREIGN COUNTRIES.

4. WHAT HAPPENS NOW IS UNCLEAR. BRITISH MAY COME BACK WITH FIGURES, BUT THIS SEEMS UNLIKELY BEFORE NOVEMBER 1. SIMILARLY IT SEEMS UNLIKELY THAT CONSULTATIONS WITH ANY OTHER COUNTRY WOULD LEAD TO AGREEMENT ON A DIFFERENT FORMULA BEFORE NOVEMBER 1. IF AIRLINES REFUSE TO FILE TARIFFS WITH CAB ALONG LINES CAB HAS INDICATED IT WILL ACCEPT, THOSE IN EFFECT WILL BE THOSE "IN EFFECT"

IMMEDIATELY PRIOR TO THE FILING OF THE NEW TARIFF"
(SECTION 1002J OF THE FEDERAL AVIATION ACT, AS AMENDED).
IN CAB VIEW THIS MEANS LAST WINTER'S FARES, BUT SEVERAL
AIRLINES WILL REPORTEDLY ASK COURT FOR A DECLARATORY
JUDGMENT IN THE NEXT FEW DAYS THAT IT MEANS THIS FALL'S
SHOULDER FARES.

5. ACTION REQUESTED: WHILE WE WOULD NOT WISH TO STIR
FOREIGN GOVERNMENTS TO ACTION, DEPT WOULD APPRECIATE
ANY INFORMATION EMBASSIES OBTAIN AS TO MEASURES, IF
ANY, THEY ARE LIKELY TO TAKE.

6. FOR DUBLIN AND BRUSSELS: AS PARA 3 ABOVE INDICATES,
SITUATION REMAINS FLUID IN THAT U.S. IS PREPARED TO
DISCUSS QUESTION WITH GOVERNMENTS WITH WHICH IT HAS
PERTINENT AGREEMENTS, BUT PRACTICAL CONSIDERATIONS MAKE
IT DIFFICULT TO IMAGINE HOW THIS COULD TAKE PLACE
BEFORE NOVEMBER 1. IF EITHER IRISH OR BELGIANS WISH TO
PURSUE IDEA OF CONSULTATIONS WE WILL OF COURSE COMPLY
AS SOON AS POSSIBLE, BUT EMBASSY SHOULD CAUTION THAT
FOREIGN DELEGATION SHOULD BE WELL ACQUAINTED WITH CAB
ORDER AND WELL PROVIDED WITH COST AND REVENUE DATA
SUPPORTING ITS OWN VIEWS. IN ABSENCE OTHER DATA, BOARD
RELIES HEAVILY ON THAT SUPPLIED BY AIRLINES, WHICH IS
AVAILABLE TO PUBLIC IN CAB DOCKET. KISSINGER

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Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
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